AMENDMENT TO H.R. 1106

OFFERED BY MR. SESTAK OF PENNSYLVANIA

At the end of title II, add the following new section:

SEC. 205. HOMEOWNERSHIP VESTING PLAN.

Title II of the National Housing Act (12 U.S.C. 1707 et seq.) is amended—

(1) by redesignating section 257, as added by section 2124(a) of the Housing and Economic Relief Act of 2008 (12 U.S.C. 1715z–24), as section 258; and

(2) by adding after section 258, as so redesignated, the following new section:

"SEC. 259. HOMEOWNERSHIP VESTING PLAN.

"(a) AUTHORITY.—The Secretary shall, subject only to the absence of requests for insurance under this section and the availability of amounts pursuant to subsection (i)—

"(1) make commitments to insure and insure any mortgage covering a 1- to 4-family residence that is made for the purpose of paying or prepaying outstanding obligations under an existing mortgage or mortgages on the residence if the mortgage being insured under this section meets the requirements of this section; and

"(2) in connection with the insurance of such mortgages—

"(A) make payments under subsection (c) to servicers of eligible mortgages refinanced by such insured mortgages;

"(B) make payments under (b)(4) for the extinguishment of subordinate liens on the properties subject to eligible mortgages refinance by such insured mortgages; and

"(C) make loans under subsection (d) to mortgagors under such insured mortgages.

"(b) ELIGIBLE MORTGAGES.—To be eligible for insurance under this section, a mortgage shall comply with all of the following requirements:

"(1) OWNER-OCCUPIED SOLE RESIDENCE.—The residence securing the mortgage insured under this section shall be occupied by the mortgagor as the principal residence of the mortgagor and the mortgagor shall provide a certification to the originator of the insured mortgage that such residence securing the mortgage is the only residence in which the mortgagor has any present ownership interest.

"(2) PRINCIPAL OBLIGATION AMOUNT.—The principal obligation amount of the mortgage to be insured under this section shall be equal to 97.5 percent of the current appraised value of the residence securing the mortgage.

"(3) REQUIRED WAIVER OF PREPAYMENT PENALTIES AND FEES.—All penalties for prepayment or refinancing of the existing senior mortgage, and all fees and penalties related to default or delinquency on the existing senior mortgage, shall be waived or forgiven.

"(4) EXTINGUISHMENT OF SUBORDINATE LIENS.—

"(A) REQUIRED AGREEMENT.—All holders of existing mortgages on the property to which the eligible mortgage relates shall agree to accept the proceeds of the insured loan, and any payment pursuant to subparagraph (B), as payment in full of all indebtedness under the existing mortgage, and all encumbrances related to such existing mortgage shall be removed. The Secretary may take such actions, in accordance with the standards established pursuant to subparagraph (B), as may be necessary and appropriate to facilitate coordination and agreement between the holders of the existing senior mortgage and any existing subordinate mortgages, taking into consideration the subordinate lien status of such subordinate mortgages.

"(B) PAYMENT.—The Secretary shall provide for the payment to the holder of any existing subordinate mortgage of an amount equal to 5 cents for each dollar of the outstanding principal balance of, and accrued interest on, the outstanding mortgage.

"(5) INTEREST RATE AND TERM OF MORTGAGE.—The mortgage to be insured under this section shall—

"(A) bear interest at a single rate that is fixed for the entire term of the mortgage; and

"(B) have a maturity of 30 years from the date of the beginning of amortization of such mortgage.

"(6) UNDERWRITING STANDARDS.—The mortgage insured under this section shall comply with the underwriting standards applicable under the FHA Secure Program (established by mortgagee letter 2007–11, issued September 5, 2007), as such Program is in effect as of February 1, 2009.

"(7) PRIORITY OF LIEN FOR NON-VESTED LOAN PRINCIPAL.—The mortgage to be insured under this section shall provide that the Secretary's lien pursuant to subsection (d)(4) on the residence that is subject to the mortgage shall have superior priority to the lien under the insured mortgage.

"(8) REQUIREMENTS FOR EXISTING SENIOR MORTGAGE BEING REFINANCED.—

"(A) ORIGINATION DATE.—The existing senior mortgage shall have been originated during the period beginning on January 1, 2003, and ending upon December 31, 2007.

"(B) PRINCIPAL OBLIGATION.—The existing senior mortgage shall have had a original principal obligation in an amount that did not exceed the maximum dollar amount limitation in effect on February 1, 2009, under section 203(b)(2) of the National Housing Act (12 U.S.C. 1709(b)(2)) for a residence of the applicable size for the area in which the residence is located.

"(C) DEBT-TO-INCOME RATIO UPON ORIGINATION.—As of the time of the origination of the existing senior mortgage, the mortgagor shall have had a ratio of mortgage debt to income, taking into consideration all existing mortgages of that mortgagor at such time, exceeding 30 percent.

"(D) LOAN-TO-VALUE RATIO.—The existing senior mortgage shall, upon origination, have involved a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding 90 percent of the appraised value of the property at such time.

"(c) PAYMENT TO SERVICER OF EXISTING MORTGAGE.—For each mortgage insured under this section, the Secretary shall make a payment in the amount of $1,000 to the servicer of the existing senior mortgage refinanced by such insured mortgage.

"(d) NONAMORTIZING NO-INTEREST LOAN.—

"(1) IN GENERAL.—In connection with each mortgage insured under this section, the Secretary shall make a loan to the mortgagor in an amount equal to the difference between—

"(A) the amount of the outstanding principal obligation under the existing senior mortgage refinanced by such insured mortgage as of the time of the origination of such insured mortgage; and

"(B) the amount of the original principal obligation of the insured mortgage.

"(2) TERMS.—A loan under this section—

"(A) shall not bear interest; and

"(B) shall not require the borrower to make payments of principal, except as provided in paragraph (3).

"(3) REPAYMENT.—A loan under this section shall require repayment of principal only if the borrower defaults with respect to the borrower's obligations under the insured mortgage in connection with which such loan is made during the 5-year period that begins on the date that such mortgage is insured, as follows:

"(A) YEAR 1.—If any such default occurs during the period that begins on the date that such mortgage is insured and ends 1 year after such date of insurance, the Secretary shall be entitled to repayment of 100 percent of the principal amount of the loan.

"(B) YEAR 2.—If any such default occurs during the period that begins1 year after such date of insurance and ends 2 years after such date of insurance, the Secretary shall be entitled to 80 percent of such principal amount.

"(C) YEAR 3.—If any such default occurs during the period that begins 2 years after such date of insurance and ends 3 years after such date of insurance, the Secretary shall be entitled to 60 percent of such principal amount.

"(D) YEAR 4.—If any such default occurs during the period that begins 3 years after such date of insurance and ends 4 years after such date of insurance, the Secretary shall be entitled to 40 percent of such principal amount.

"(E) YEAR 5.—If any such default occurs during the period that begins 4 years after such date of insurance and ends 5 years after such date of insurance, the Secretary shall be entitled to 20 percent of such principal amount.

"(F) AFTER YEAR 5.—If any such default occurs after the expiration of the 5-year period that begins on such date of insurance, the Secretary shall not be entitle to repayment of any portion of such principal amount.

"(4) LIEN.—Repayment of the portion of the principal amount of a loan made under this subsection that is required under paragraph (3) shall be secured by a lien on the residence that is subject to the mortgage insured under this section in connection with which such loan was made, that is held by the Secretary, and which shall have priority over all other liens on such residence.

"(e) PREMIUMS.—Notwithstanding any other provision of this Act:

"(1) IN GENERAL.—For each eligible mortgage insured under this section, the Secretary shall establish and collect an annual premium in an amount equal to not less than 0.55 percent of the amount of the remaining insured principal balance of the mortgage and not more than 0.75 percent of such remaining insured principal balance, as determined according to a schedule established by the Secretary that assigns such annual premiums based upon the credit risk of the mortgage.

"(2) REDUCTION OR TERMINATION DURING MORTGAGE TERM.—Notwithstanding paragraph (1), the Secretary may provide that the annual premiums charged for eligible mortgages insured under this section are reduced over the term of the mortgage or that the collection of such premiums is discontinued at some time during the term of the mortgage, in a manner that is consistent with policies for such reduction or discontinuation of annual premiums charged for mortgages in accordance with section 203(c).

"(f) SUNSET.—The Secretary may not enter into any new commitment to insure any refinanced eligible mortgage, or newly insure any refinanced eligible mortgage, pursuant to this section after the expiration of the 3-year period beginning upon the date of the enactment of this Act.

"(g) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

"(1) ELIGIBLE MORTGAGE.—The term 'eligible mortgage' means a mortgage that meets the requirement under subsection (b) for insurance under this section.

"(2) EXISTING MORTGAGE.—The term 'existing mortgage' means, with respect to a mortgage insured or to be insured under this section, a mortgage on the same residence that is to be subject to such mortgage insured under this section that is to be extinguished pursuant to such insured mortgage.

"(3) EXISTING SENIOR MORTGAGE.—The term 'existing senior mortgage' means, with respect to a mortgage insured or to be insured under this section, the existing mortgage that has superior priority.

"(4) EXISTING SUBORDINATE MORTGAGE.—The term 'existing subordinate mortgage' means, with respect to a mortgage insured or to be insured under this section, an existing mortgage that has subordinate priority to the existing senior mortgage.

"(h) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for fiscal years 2009 through 2012—

"(1) $2,000,000,000 for payments under subsection (c) to servicers of eligible mortgages refinanced by such insured mortgages;

"(2) $1,500,000,000 for payments under (b)(4) for the extinguishment of subordinate liens on the properties subject to eligible mortgages refinance by such insured mortgages; and

"(3) $90,000,000,000 for the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1974 (2 U.S.C. 661a) of loans under subsection (d) to mortgagors under such insured mortgages.".

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